



# NEWS & VIEWS

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*SBA News and Views* is a monthly publication of the SBA Wisconsin District Office. Its purpose is to provide Wisconsin lenders and small business leaders with up-to-date information on SBA programs and small business issues. It is distributed at no cost, and the reprinting of articles is encouraged.

## STAR LOANS PASS \$2.4 BILLION MILESTONE AS JANUARY 10, 2003 DEADLINE APPROACHES

The Supplemental Terrorist Activity Relief, or STAR, program, an additional disaster recovery assistance loan program for businesses economically harmed or disrupted as a result of Sept. 11, has passed \$2.4 billion in loans made to 6,067 small businesses nationwide.

The STAR program was designed as an alternative for small businesses that have been adversely affected by the terrorist attacks of September 11, but have not been able to qualify for other, more restrictive loan programs. It has been in place since Feb. 1, 2002; it has about \$2.4 billion in funding remaining, and will be available through Jan. 10, 2003, or until the funds are expended, whichever comes first.

"The STAR program has been very successful in providing much needed relief to small businesses that otherwise would not have been able to cope with the economic pain caused them by the Sept. 11 attacks," said SBA Administrator Hector V. Barreto. "We are happy to be part of America's recovery, and encourage any small business with a legitimate claim of economic hardship caused by Sept. 11 to apply before the expiration deadline."

The SBA has made the application process easier by granting its lending partners discretion to assess the economic harm suffered by individual borrowers, as well as requiring minimal paperwork. Otherwise, STAR loans follow the same terms and conditions of other 7(a) loans.

Small businesses can use STAR loans for a variety of business purposes, and small businesses are encouraged to apply if they can show direct or indirect adverse impact as a

result of the terrorist attacks of Sept. 11. Examples of adverse impact are:

- difficulty in making loan payments on existing debt;
- difficulty in paying employees or vendors;
- difficulty in purchasing materials, supplies or inventory;
- difficulty in paying rents, mortgages or other operating expenses; and
- difficulty in securing finances.

Start-up small businesses that had planned to begin operating but were hampered in or prevented from doing so, may also qualify for the STAR loan.



[www.sba.gov/news/star.html](http://www.sba.gov/news/star.html)

## **NEW SIZE STANDARDS**

This is a reminder that SBA published new size standards for small businesses receiving financial assistance from the SBA in the Federal Register on January 23, 2000, as an interim final rule. The standards became effective February 22, 2002 (**a final rule published on October 24, 2002, adopted the interim size standards**). A news release announcing the change was published on January 31, 2002, [www.sba.gov/news/current02/02-07.html](http://www.sba.gov/news/current02/02-07.html).

In general, SBA increased its revenue-based size standards for small businesses by 15.8 percent to account for inflation since 1994.

**For the 504 Loan program**, the size standards were increased from \$6 million net worth and \$2 million net income to \$7.0 million net worth and \$2.5 million net income.

For additional information on the new size standards, you may visit the SBA's Office of Size Standards web page at [www.sba.gov/size](http://www.sba.gov/size), and click on "What's New?"

## **COSPONSORSHIP MAKES RESOURCES AVAILABLE VIA INTERNET, LOCAL SBA OFFICES ACROSS U.S.**

As part of a shared commitment to protect the financial health of small businesses, the U.S.

Small Business Administration and The Hartford Financial Services Group, Inc., have teamed up to provide state-of-the-art risk management educational materials and online interactive tools and training for small business owners. Materials developed by The Hartford's loss control experts are available to small businesses via the SBA's Web site and countrywide network of local offices.

"Each year, a large number of small businesses experience first hand the devastation that a disaster causes," said SBA Administrator Hector V. Barreto. "It is a top priority for the SBA to provide America's small business owners tools and information on business preparedness and protection. We are pleased to work with The Hartford to offer risk management expertise and educational tools to help small businesses protect themselves against the unexpected."

Small business owners now have access to a library of educational materials developed by The Hartford's loss control experts, available at selected SBA service locations nationwide. Offerings include a business insurance primer; audio tapes with practical tips for small business owners about how to maximize profits by minimizing everyday risks; and printed materials to help small businesses manage their risks quickly and effectively.

As part of the co sponsorship in the upcoming months, several risk management seminars for small business owners will be

held at sites around the country. The topics will include: controlling overall business costs; managing workers' compensation costs; understanding ergonomics; developing strategies for disaster preparedness, response and recovery; surviving business interruption; and implementing employment practices to limit liability exposures for small businesses.

In addition, recognizing that many entrepreneurs cannot take time away from their businesses to attend seminars in person, The Hartford and the SBA are providing a series of online courses to address key business insurance coverage for small businesses, including understanding business owners' commercial auto and workers' compensation insurance.

Small business owners can now access the first of these courses via the SBA's Small Business Classroom Web site at [www.sba.gov/classroom](http://www.sba.gov/classroom) or The Hartford's Small Business Insurance Center at [www.sb.thehartford.com/sbaresources](http://www.sb.thehartford.com/sbaresources). They can also "Ask the Expert Online" and receive answers to questions regarding safety, health, property protection and other risk management and business insurance issues, and participate in periodic online forums on a variety of risk management topics. The Hartford (NYSE: HIG) is an investment and insurance company; with 2001 revenues of \$15.1 billion. As of September 30, 2002, The Hartford had assets of \$175.5 billion and shareholders' equity of

\$10.9 billion. The company is a provider of investment products, life insurance and group benefits; automobile and homeowners products; business property and casualty insurance; and reinsurance.

## **ADVOCACY, OSHA, AND SBA OMBUDSMAN SIGN AGREEMENT TO HELP SMALL BUSINESS**

### **Offices to Work Together to Provide Ergonomics Information**

Small business will now find it easier to learn of the Occupational Safety and Health Administration's (OSHA) new ergonomic guidelines. The Office of Advocacy of the U.S. Small Business Administration and OSHA will work together to inform small businesses of these new guidelines.

Earlier this year, OSHA announced a comprehensive approach to ergonomics designed to reduce ergonomic injuries through a combination of guidelines, enforcement, outreach, assistance, and research. As part of the outreach and assistance efforts, Advocacy, OSHA, and the SBA's National Ombudsman have formed a partnership outlined in an agreement signed today.

"We're pleased to be partners with OSHA and the SBA's Ombudsman in their efforts to reach small business as OSHA develops new industry specific ergonomic guidelines," said Thomas M. Sullivan, Chief Counsel for Advocacy. "With

the new guidelines and this agreement, OSHA can take a big step in listening to the concerns of small business. The old adversarial model will be replaced with outreach and education. This new step towards cooperation is great news for small business owners and their employees alike," he said.

The agreement formalizes Advocacy's role in helping to inform small business owners of the new guidelines. The agreement also makes clear OSHA and the Ombudsman's role in listening and responding to the concerns of small business owners.

"OSHA welcomes the opportunity to work closely with the SBA to help millions of small businesses across the country reduce ergonomic hazards in their workplaces," said OSHA Administrator John Henshaw. "This partnership enables us to better educate the small business community about the assistance that is available to them and learn from their input and feedback on our efforts."

National Ombudsman Michael Barrera and his office work closely with OSHA on enforcement of workplace safety regulations "The goal of our office is to shift the regulatory enforcement environment upon small businesses from a 'gotcha' mentality to a 'help you' attitude. This agreement does that by focusing on education over enforcement and compliance over confrontation," said Barrera.

## **E-COMMERCE TRENDS ACCELERATE**

### **Smaller Niche Businesses Cover Web Site Costs With Revenues**

Small business continues to embrace Internet technology, and smaller niche businesses are covering their web site costs with increased revenues. These are just two of the trends in small business e-commerce cited in "E-Biz.com: Strategies for Small Business Success," released by the Office of Advocacy of the U.S. Small Business Administration.

The report, authored by Joanne H. Pratt, documents current trends in small business e-commerce, and generates new statistics based on interviews conducted by the executive interviewing group of the Gallup Organization.

The report outlines trends and strategies for success in e-commerce and details new findings. New findings include:

- Sixty-five percent of small, niche firms make a profit or cover the costs of their websites.
- Less than 10 percent of Small businesses' online commerce is business-to-business.
- The smallest firms (fewer than 10 employees) benefit the most from being online.

For more information and the complete report, visit the Office of Advocacy website at <http://www.sba.gov/advo>.

## 504 PROPOSED RULEMAKING

The U.S. Small Business Administration is considering ways to improve coverage of the Certified Development Company Loan Program (the "CDC Program" or the "504 Program") to ensure that all small businesses have access to long-term fixed-rate financing. After a review of public comments, SBA will consider proposing amendments to existing program regulations that will improve overall program management. SBA also anticipates that some changes suggested by commentators may ultimately require new legislation.

SBA is revisiting the 504 Loan Program policies as a prudent management exercise in light of major changes in the economy, the financial services industry, technology, and in CDCs' operations since the program's inception in 1980. The review has also been prompted by SBA's on-going discussions with the 504 industry and by specific requests made to SBA to expand CDCs' product base to include 7(a) loans or Small Business Investment Companies. In particular, SBA is seeking comments on the following: Whether the 504 Program is meeting its statutory purpose as defined in section 501(a) of the Small Business Investment Act; the appropriate long-term goals and annual performance measures for the program given its statutory requirement; the appropriate data elements required to assure solid

program oversight while minimizing public data collection burdens; operational or regulatory impediments to providing long-term financing in rural or urban areas; and programmatic changes that could increase CDC competition and increase small businesses' access to loans.

This ANPRM and request for comments are intended to stimulate dialogue on these and other issues pertaining to the CDC program.

All interested parties are invited to submit written comments. Comments must be received on or before February 4, 2003. Mail written comments to: James E. Rivera, Associate Administrator for Financial Assistance, U.S. Small Business Administration, 409 Third Street, SW., 8<sup>th</sup> Floor, Washington, DC 20416. Comments may be sent by e-mail to [ANPR@sba.gov](mailto:ANPR@sba.gov).

## SBA AND CHILE SIGN AGREEMENT TO PROMOTE TRADE OPPORTUNITIES

The U.S. Small Business Administration, the Technical Cooperation Service of Chile and the Chilean Economic Development Agency have signed a cooperation agreement to promote programs that will help small and medium-sized businesses in both countries develop their commercial interests and participate in international trade opportunities.

The memorandum of understanding was signed on

December 5, 2002 during the last scheduled round of negotiations for the U.S. – Chile Free Trade Agreement.

The implementation of the agreement is scheduled to begin within 45 days, and the activities undertaken under its provisions will continue for two years, at which time they may be extended for a similar period unless one of the parties requests termination.

The provisions of the agreement include but are not limited to:

- Establishing a cooperative program to promote and support the development, growth, stability and global competitiveness of small and medium-sized businesses, and promote trade opportunities for them in each country.
- Exchanging information on commercial and investment opportunities legislation, tariffs, taxes, trade law, and access to capital and government loan guarantee programs.
- Facilitating business linkages between individual U.S. and Chilean small and medium-sized businesses to promote trade between both countries.

The agreement also calls for a plan to work together with other organizations in the hemisphere to spur the creation of a network of small business providers to expand opportunities for trade linkages in the Americas.

**SCORE AWARD**

On Wednesday, December 4, Chapter 28 SCORE member Rubin Sharpe was awarded SBA's District Director Service Award for conducting over 400 SBA/SCORE Loan Seminars.

Rubin joined SCORE in 1983. He served as Vice-Chair and Chair (1989) and was re-elected Vice-Chair in 1990 and serves in that capacity to the present time.

Rubin began presenting the SBA/SCORE Loan Seminars in 1984 and over 10,000 attendees have benefited from his expertise and assistance in acquiring financial assistance for their business ventures. Both budding entrepreneurs and small business men and women have attended these seminars.

In addition, Rubin has sent hundreds of memos to SCORE members (both Chapter 28, in Milwaukee and District 0563) advising them of information to assist them during their counseling sessions.

Everyone at SBA joins in congratulating Rubin for his achievements and significant service to the small business community.

**Rubin Sharpe  
Congratulations**

**SCORE**  
Counselors to America's Small Business

**UNIVERSITY R&D  
EXPENDITURES  
JUMP-START SMALL  
BUSINESS FORMATION,  
STUDY SHOWS**

Research and development expenditures by America's universities are a primary driver of small business formation, new jobs, and positively affect local economic growth according to a study released today by the Office of Advocacy of the U.S. Small Business Administration.

"Small business formation clearly receives a jump-start from university R&D," said Thomas M. Sullivan, Chief Counsel for Advocacy. "Research universities, and investment in R&D at these universities, are major factors contributing to economic growth in their markets," he continued.

The study examined a number of socio-economic factors that could drive new firm formation and job creation in the labor market areas (LMAs) surrounding research universities. Once the researchers controlled for these variables, they concluded that the lag between university R&D investments and local new firm formation is the most statistically significant at two years. Moreover, they found that these effects last as long as five years.

The research also determined that new firms form around university research activity centers much in the same way as they form around local industry clusters. The authors attribute this formation to information "spill-

over," which is most important in knowledge-based industries.

"This study has broad implications for policymakers at not only state and local levels, but at the federal level as well," said Sullivan. "Universities are contributors to small firm births and growth locally and nationally. Policymakers interested in sustaining an environment that supports job-creating small business should take this study into consideration," he continued.

The Office of Advocacy, the National Commission on Entrepreneurship, and the Kauffman Center for Entrepreneurial Leadership funded the study written by BJK Associates.

***Happy Holidays!***



## **FEDERAL CONTRACT BUNDLING INCREASES**

The number and size of bundled contracts issued by federal agencies has reached a 10-year high, to the detriment of small business, according to a new report issued today by the Office of Advocacy of the U.S. Small Business Administration.

Small businesses received only 16.7 percent of bundled federal contract dollars in fiscal year 2001, and 20 percent of all federal prime contract dollars. At the same time, Office of Advocacy research shows that small businesses employ over half of all private sector workers, generate more than half of the private sector output, and generate more than two-thirds of net new jobs.

The President's small business plan, announced in March, seeks to improve small business access to government contracts by avoiding unnecessary contract bundling, streamlining the contract appeals process, and ensuring that contracts are open to all businesses.

"President Bush has directed his office of Management and Budget to attack this procurement problem," said Thomas M. Sullivan, Chief Counsel for Advocacy. "Strong leadership from the top is what it takes to fundamentally alter federal agency behavior. We have identified the problem, this report sets out benchmarks for change, and

the President is committed to solving the problem," he said. The report, "The Impact of Contract Bundling on Small Business" written by Eagle Eye Publishers, indicates that the increase in bundled contracts are largely driven by the addition of dissimilar tasks on existing contracts. The study found that a primary source of these contracts is the Department of Defense.

## **SBA Exchange PILOT PROGRAM**

[www.sba.gov/sbaexchange/](http://www.sba.gov/sbaexchange/)

The United States Small Business Administration (SBA) has entered into a contract with NEXGEN's Solutions, Inc. to bring you a national E-Procurement initiative to automate procurements by creating an Internet-based exchange for the procurement of goods and services from the members of the small business community.

Under this Pilot Program, small businesses can participate in conducting e-business transactions with a relatively low cost of entry and little or no technical expertise.

The electronic purchasing tool designed to reduce costs, improve efficiency and accountability of current government procurement processes, and assist small businesses in their e-procurement efforts.

The SBAExchange system is a streamlined electronic tool that will allow agencies to award simplified acquisitions up to

\$100,000 (including micro-purchases) and to make purchases and payments electronically with the Government-wide commercial purchase card.

A fully hosted, supplier branded, e-commerce website;

Exposure to federal buying authorities, large federal prime contractors and other large buying officials;

An electronic catalog;

A centralized order management system for receiving and processing Internet-based orders from federal, state, local and commercial buying authorities;

A management system for tracking new business, creating and submitting quotes and;

Assistance in managing the new site.

## **WISCONSIN CALENDAR OF EVENTS**

**Only SBA sponsored events are endorsed by the Agency. Other events are merely provided as a resource.**

## **LENDERS FOR NOVEMBER 2002**

### **AMERICAN NATIONAL BANK FOX CITIES**

Appleton – 3 Loans for \$351,500

### **ASSOCIATED BANK NA**

Green Bay – 10 Loans for \$1,182,600

Neenah – 1 Loan for \$65,000

**Total: 11 Loans for \$1,247,600**

### **BANK ONE NA**

Chicago, IL – 4 Loans for \$193,700

### **BOUNDARY WATERS COMMUNITY BANK**

Blaine, MN – 1 Loan for \$145,000

### **BREMER BANK NA**

Amery – 1 Loan for \$24,000

### **BUSINESS BANK of the FOX RIVER VALLEY:**

Appleton – 1 Loan for \$100,000

### **CAPITAL ONE FEDERAL SAVINGS BANK**

Falls Church, VA

1 Loan for \$50,000

### **CITIZENS FIRST CU**

Oshkosh – 1 Loan for \$72,000

### **COMERICA BANK**

Detroit, MI – 1 Loan for \$278,000

### **COMMUNITY BANK & TRUST**

Sheboygan – 6 Loans for \$1,269,000

### **FIRST BANKING CENTER**

Burlington – 1 Loan for \$31,000

### **FIRST BUSINESS BANK OF MADISON**

Madison – 1 Loan for \$50,000

### **FIRST NATIONAL BANK FOX VALLEY**

Neenah – 3 Loans for \$372,000

### **HIAWATHA NATIONAL BANK**

Spring Valley – 1 Loan for \$150,000

### **HOMETOWN BANK**

Saint Cloud – 3 Loans for \$966,000

**INVESTORS BANK**

Pewaukee – 1 Loan for \$805,606

**INVESTORS COMMUNITY BANK**

Manitowoc – 1 Loan for \$500,000

**JOHNSON BANK**

Madison – 1 Loan for \$460,125

**KIM CENTRAL CU**

Neenah – 1 Loan for \$125,000

**LEGACY BANK**

Milwaukee – 1 Loan for \$112,000

**M&I MARSHALL & ILSLEY BANK**

Milwaukee – 27 Loans for \$3,354,000

**OZAUKEE BANK**

Mequon – 1 Loan for \$150,000

**PORT WASHINGTON STATE BANK**

Belgium – 1 Loan for \$170,000

**RACINE COUNTY BUSINESS DEVELOPMENT CORP.**

Racine – 1 Loan for \$149,000

**S & C BANK**

Eau Claire – 1 Loan for \$500,000

**STATE FINANCIAL BANK**

Milwaukee – 1 Loan for \$350,000

**TRI CITY NATIONAL BANK**

Sturtevant – 1 Loan for \$150,000

**US BANK NA**

San Diego, CA

1 Loan for \$1,005,100

**WELLS FARGO BANK MINNESOTA NA**

Minneapolis, MN

5 Loans for \$724,000

**WISCONSIN BUSINESS DEVELOPMENT FINANCE CORP.**

Monona – 4 Loans for \$1,329,000

**BUSINESS START-UP “TO DO” LIST**

- Know what type of business you would like to start and learn all you can about it.
- Appraise your business strengths and weaknesses. Be strict and objective.
- Conduct thorough research of potential customers, your trade or industry, your competition, your licensing and tax requirements, location, and name.
- Determine type of business organization [www.onlinewbc.gov/DOCS/Finance/what\\_type.html](http://www.onlinewbc.gov/DOCS/Finance/what_type.html) (i.e. Proprietorship, Partnership, or Corporation).
- Evaluate possible site locations. Check physical condition, suitability, traffic flow, parking, utility requirements and cost.
- Prepare a comprehensive business plan [www.sba.gov/starting/indexbusplans.html](http://www.sba.gov/starting/indexbusplans.html) (include your action timetable).
- Decide on your business hours.
- Secure necessary capital. (Bank loans, budget to save, borrow on insurance, etc.)
- Obtain needed facilities, equipment, furnishings, supplies, stock and signage [www.sba.gov/starting/signage/index.html](http://www.sba.gov/starting/signage/index.html).
- Recruit personnel. Establish job descriptions and training program.
- Print business cards, stationery, invoice or statement forms.
- Register name of business (your assumed name) and/or file articles of incorporation with the Secretary of State. [www.wisconsin.gov/state/byb/name.html](http://www.wisconsin.gov/state/byb/name.html). Publish notice in newspaper
- Secure any necessary permits, licenses, or zoning variations. Check with both local and state licensing agencies.
- Register your business with the State and obtain a Sales & Use Tax Permit <http://www.dor.state.wi.us/html/taxsales.html> (if applicable).
- Register for Federal tax number (Form SS-4) <http://www.irs.gov/pub/irs-pdf/fss4.pdf> and obtain employee tax and withholding information from the IRS.
- Establish bank account (separate from personal account). Shop for the bank and services that best suit your needs.
- If you intend to hire employees in your business, phone your Department of Economic Security or Work force Commission.
- Phone the IRS for a free “Small Business Tax Kit” at 1-800-829-3676. For information about free Tax Education Workshops, call 1-800-829-1040 or check out the IRS website [www.irs.gov](http://www.irs.gov) for this information.

- Issue news releases. Publicize your new venture.

For more information or comments on this site, please contact the SBA Answer Desk at 1-800-U ASK SBA or [answerdesk@sba.gov](mailto:answerdesk@sba.gov).

### **EVAULATING START-UP COSTS**

When starting a new business, moving to a new location, opening a new branch or expanding your business, there will be start-up or one-time expenses. Know what these expenses will be by filling in the amounts of dollars required for each of the items listed below.

#### **ITEM**

Real estate, furniture, fixtures, machinery, equipment:

- a) Purchase Price-if paid in full with cash
- b) Cash down payment-if purchased on contract
- c) Transportation & installation costs

#### **STARTING INVENTORY**

Decorating, refurbishment, & remodeling costs

#### **DEPOSITS REQUIRED:**

- a) Utilities
- b) Rent
- c) Other (identify)

#### **FEES REQUIRED**

- a) Legal, accounting, others
- b) Licenses, permits, etc.
- c) Other (identify)

Initial Advertising & Marketing Costs (i.e., flyers, sales letters and calls, signs, brochures, etc.)

Accounts Receivable  
(\_\_\_\_\_days of sales)

Salaries and owners draw until business enterprise opens or until cash flow is positive.

#### **OTHER MISCELLANEOUS EXPENSES:**

Merchant Association fees, equipment rental, office supplies, cleaning service, other supplies, signs, etc.

Payments on other fixed obligations.

**Total Start Up Costs: \$\_\_\_\_\_**

